

FILED

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
(Baltimore Division)

FEB 19 2001

CLERK'S OFFICE  
U.S. BANKRUPTCY COURT  
DISTRICT OF MARYLAND  
BALTIMORE

In re:

FRANK'S NURSERY & CRAFTS,  
INC., *et al.*,

Case No: 01- 52415-JS *THRU 01-52416-JS*  
(Chapter 11)

Debtor.

(Jointly Administered)

\* \* \* \* \*

**DEBTORS' APPLICATION  
TO EMPLOY JAY ALIX & ASSOCIATES AS FINANCIAL CONSULTANTS**

Frank's Nursery and Crafts, Inc. ("Frank's") and FNC Holdings, Inc. ("FNC"), the above-captioned debtors and debtors in possession herein (collectively, the "Debtors"), by counsel, file this Application to Employ Jay Alix & Associates as Financial Consultants (the "Application"), and in support thereof state:

**Jurisdiction**

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue lies properly in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157.

2. The relief sought with this Motion is based upon sections 327(a), 328 and 1107 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et. seq.* (the "Bankruptcy Code").

**The Chapter 11 Reorganization Proceedings**

3. On the date hereof (the "Petition Date"), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors continue in possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

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4. By motion submitted to the Court concurrently herewith, the Debtors seek entry of an order authorizing the procedural consolidation and joint administration of these cases.

**The Debtors and Their Business Operations**

5. Frank's, founded in 1949, operates the largest United States chain (as measured by sales) of specialty retail stores devoted to the sales of lawn and garden products. Lawn and garden products include green and flowering plants for outdoor and indoor usage, live landscape products such as trees and shrubs, fertilizers, seeds, bulbs, gardening tools and accessories, planters, watering equipment, garden statuary and furniture, wild bird food and feeders, mulches and specialty soils. Frank's also is a leading retailer of Christmas Trim-A-Tree merchandise, artificial flowers and arrangements, garden and floral crafts, and home decorative products. FNC (formerly known as General Host Corporation) is the sole shareholder of Frank's.

6. As of February 9, 2001, Frank's operated 217 retail stores in 15 states, primarily in the Mid-Atlantic, Midwest and Northeast. At that time, an additional 44 stores were being closed as part of a previously announced plan to sell under-performing store locations. In its fiscal year ending January 28, 2001, Frank's had sales of approximately \$435 million. Currently, the Debtors employ approximately 1,900 full-time and 5,000 part-time employees. As of November 5, 2000, the Debtors had total assets of approximately \$471.9 million and total debt of approximately \$338 million.

7. The Debtors' sales are seasonal. The lawn and garden revenues are concentrated principally in the Spring and, to a lesser extent, in the Fall. The Trim-A-Tree sales occur between Thanksgiving and Christmas.

8. During most of the first half of 2000, weather patterns negatively impacted lawn and garden product sales across the Debtors' principal markets. During the third quarter of

2000, the Debtors decided to close 44 under-performing stores, liquidate their inventories, and sell the closed stores owned by the Debtors. Later in 2000 it became apparent that the Debtors' Trim-A-Tree holiday season sales were below expectations, which was consistent with the general softness in sales at retailers during this period.

9. In 2001, notwithstanding excess borrowing availability under their existing bank credit facilities, the Debtors were unable to draw down sufficient funding to meet the Debtors' working capital needs because the Prepetition Lenders asserted that various conditions to borrowing had not been met. (The Prepetition Lenders, however, did provide limited funding subject to various conditions.) Also, in the relatively short period since access to their credit facilities had been curtailed, the Debtors were unable to secure additional funding to meet those working capital needs. Ultimately, the Debtors determined the most appropriate method to obtain such financing and achieve their restructuring objectives was through chapter 11 filings.

### **RELIEF REQUESTED**

10. By this Application, the Debtors seek authority to retain and employ Jay Alix & Associates ("JA&A"), a Michigan corporation, as the Debtors' financial consultants under a general retainer during these chapter 11 cases, in accordance with the terms of the Retention Letter dated as of January 2, 2001 (the "Retention Letter"), a copy of which is attached hereto as **Exhibit 1**, pursuant to sections 327(a), 328 and 1107 of the Bankruptcy Code.

11. The Debtors' Board of Directors (the "Board") has concluded that given the current state of affairs, the retention of JA&A is essential for a successful reorganization of the Debtors' businesses. The Debtors require financial consultants, among other things, to assist the Debtors in operating under the constraints of chapter 11, to review and analyze the Debtors'

financial statements, identify opportunities to improve the Debtors' cash flow and balance sheet, assist the Debtors in complying with the mandates of this Court, the United States Trustee, and the Bankruptcy Code, and generally to help guide these Debtors through the chapter 11 process.

12. JA&A is well-qualified to fulfill these needs as financial consultants to the Debtors. JA&A specializes in assisting and advising operating companies, debtors, creditors, investors and court-appointed officials in bankruptcy proceedings, as well as providing financial advice to clients in non-bankruptcy workout/reorganization situations. JA&A has previously been retained to assist in the restructuring of several well-known corporations.

13. Moreover, Robert J. Rock ("Mr. Rock"), the JA&A principal responsible for the overall engagement of JA&A, is a multi-talented consultant with significant experience in crisis management, operations, financial analysis, mergers and acquisitions, valuations, and turnarounds, both in and out of Court.

14. In these chapter 11 cases, the Debtors may require JA&A to perform the necessary services in connection with the myriad of financial issues resulting from the administration of these cases. In connection with its retention, JA&A may be required to provide services upon request of the Debtors, including but not limited to:

- (a) advise the Debtors in restructuring efforts, including negotiating with parties in interest
- (b) assist in the expedited development of an operating business plan to be used in managing the Debtors for the current year;
- (c) recommend and, if requested, assist in implementation of, cost savings consistent with the business plan;
- (d) assist in helping coordinate suitable productivity of the "working group" of professionals who are assisting the Debtors in the reorganization process or who are working for one or more of the Debtors stakeholders;
- (e) assist in monitoring financial performance in conformity with the Company's business plan;

- (f) assist with the review and/or preparation of the regular reports required by the Bankruptcy Court as well as providing assistance in such areas as testimony before the Bankruptcy Court on matters that are within JA&A's areas of expertise;
- (g) assist with financing issues in conjunction with a Plan of Reorganization and support the efforts of the Debtors' investment bankers, as needed;
- (h) assist in developing the Debtors' Plan of Reorganization;
- (i) assist with such other Debtor matters as may be mutually agreed that fall within JA&A's expertise.

15. To the best of the Debtors' knowledge, the employees of JA&A do not have any connection with the Debtors, their creditors or any other party in interest, their respective attorneys, the Office of the United States Trustee or any person employed in the Office of the United States Trustee, except as set forth in the Verified Statement of Mr. Rock, which is attached hereto as **Exhibit 2**, and as set forth in the Retention Letter.

16. Subject to Court approval in accordance with sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules for the District of Maryland and any other rules and orders of this Court, compensation will be payable to JA&A on an hourly basis, plus reimbursement of actual and necessary expenses incurred by JA&A. The hourly rates of the professionals to be assigned to the Debtors are:

	Per Hour:
Principal, Robert J. Rock	\$480
Senior Associates	\$330
Associates	\$260
Accountants and Consultants	\$180

These rates are subject to periodic adjustments to reflect economic and other conditions. Additionally, JA&A will be reimbursed for its out-of-pocket expenses.

17. Accordingly, JA&A intends to apply to the Court for allowance of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules for the District of Maryland. Consistent with such guidelines, JA&A is prepared to maintain and submit contemporaneous time records as part of its fee applications. While these records may not reflect the detail often provided by counsel, JA&A will provide sufficient information and detail to permit the Court, the United States Trustee and other parties in interest to evaluate the services provided by JA&A.

18. Section 328(a) of the Bankruptcy Code permits the employment of a professional “on any reasonable terms and conditions of employment, including on a retainer.” 11 U.S.C. § 328(a). The Debtors desire to employ JA&A under a general retainer because of the extensive legal services required, the cost of which cannot be estimated.

19. Prior to the Petition Date, JA&A received from the Debtors the sum of \$120,000 as a retainer toward the services rendered and expenses incurred through the filing of the chapter 11 cases.<sup>1</sup> JA&A drew down on this retainer prior to the filing of the Debtors’ bankruptcy petitions for services associated with preparing for these chapter 11 cases.

20. The retention of Mr. Rock and JA&A is subject to certain confidentiality provisions set forth in the Retention Letter.

21. The provisions of the “Indemnification” section of the Retention Letter shall not apply to any matter relating to JA&A’s employment in these cases.

22. The Debtors believe that JA&A is eminently qualified to serve them in these chapter 11 cases and that the retention of JA&A is in the best interest of the Debtors and their estates, creditors and equity security holders.

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<sup>1</sup> The \$120,000 retainer was increased from the \$75,000 retainer referenced in the Retention Letter.

23. As this application raises no novel issues of law and the authorities relied on are cited hereinabove, pursuant to Local Rule 9013-2, the Debtors respectfully submit that they intend to rely solely upon the Application.

24. No previous application for the relief sought herein has been made to this or any other Court.

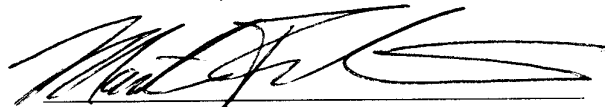
### **CONCLUSION**

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto, granting the Application and such other and further relief as is just and proper.

WILLKIE FARR & GALLAGHER  
Alan Lipkin, Esquire  
Steven Wilamowsky, Esquire  
Carolynn H.G. Pedreira, Esquire  
787 Seventh Avenue  
New York, New York 10019-6099  
(212) 728-8000

and

WHITEFORD, TAYLOR & PRESTON L.L.P.

A handwritten signature in black ink, appearing to read "Paul M. Nussbaum", is written over a horizontal line.

Paul M. Nussbaum, #04394  
Martin T. Fletcher, #07608  
Seven Saint Paul Street, Suite 1400  
Baltimore, Maryland 21202  
(410) 347-8700

Co-Counsel for the Debtors,  
Frank's Nursery & Crafts, Inc., et al.

**CERTIFICATE OF SERVICE**

I certify that on this 19<sup>th</sup> day of February, 2001, copies of the foregoing Application, the Verified Statement of Robert J. Rock and a proposed Order were sent by the means indicated and to the parties identified on the Omnibus Certificate of Service filed concurrently with this pleading. In order to expedite the copying and transmittal, a copy of the Omnibus Certificate of Service was not transmitted with the pleadings. Any party desiring a copy of the Omnibus Certificate of Service may contact the undersigned or may review the original at the Clerk's Office.

  
Martin T. Fletcher

1330792.v7



# **Exhibit 1**

# JAY ALIX & ASSOCIATES

MEMBERS OF THE CORPORATION

JAY ALIX  
JAMES J. BONSAILL, JR.  
MELVIN D. CHRISTIANSEN  
ROBERT M. DANCREMOND  
R. BRUCE DEMUTL  
LOUIS G. QUONEY  
PETER O. FITZSIMMONS  
ALBERT B. GORDON, JR.  
KENNETH A. HILTZ  
THOMAS F. KIRK  
ALBERT A. KOCH  
DEBBA E. KUPTZ  
JAY MARSHALL  
LAWRENCE J. RAMAEKERS  
DAVID A. RAWOEN  
GREGORY F. RAYBURN  
ROBERT J. ROCK  
HARVEY E. SCHATZ  
TED STENGER  
JOSEPH R. SZMAOZINSKI  
MARK E. TONGY  
BETTIMA M. WHYTE

MARTA A. ANGUIRA  
DIANE L. ATIYEH  
JUDITH A. BARANOWSKI  
CARRIANNIE J.M. BASLER  
KURT J. BECKEMAN  
JIM DIGNAS  
R. BRUCE BLACKWELL  
DUNCAN S. BOURNE  
MARC J. BROWN  
ROBERT C. BUSCH  
ERIC P. BUTTE  
FRANCIS S. CAMPISE  
JOHN R. CASTELLANO  
JANE D. CIANCANELLI  
HERBERT S. COHEN  
THOMAS F. COX  
MICHAEL D. DI GRAF  
JOHN A. DISCHNER  
LISA J. DONAHUE  
SHAUN M. FARLEY  
MICHAEL A. FIDDER  
ANTHONY C. FLANAGAN  
JASON A. FRAMU  
JOHN S. FRANKS  
ROBERT J. GLUCK  
BENJAMIN GONZALEZ  
ROBERT A. HECHT  
STACEY L. HIGHTOWER  
ANTHONY M. HORVAT  
ERIK G. JOHNSON  
DAVID C. JOHNSTON  
ROXANNE T. KIEHN  
ROBERT W. KOVAL  
ARTHUR J. KUSCZY  
MICHAEL P. LACUSTA  
LAURENCE C. LEONARD  
J. ADAM MARR  
DAVID B. MINALLY  
JAMES A. WESTERHARM  
KEVIN M. MONTAGUC  
THOMAS A. MORROW  
MATTHEW C. NELSON  
PETER E. O'CONNELL  
MICHAEL J. PIZZORNO  
GREGORY F. PRESLEY  
ELIZABETH A. REYNOLDS  
REBECCA A. ROOF  
GARY E. SCHAFER  
PAUL V. SCHAPIRA  
GORDON A. SCHREUR  
WILLIAM J. SENG  
JULIE V. SEVERSON  
JONATHAN A. SLAYKIN  
CHERYL M. STARKS  
BRIAN G. STEIN  
PETER A. STENGER  
CYNTHIA M. SUTZER  
PILAR TERRY  
DAWN A. TAYLOR  
LORI TAYLOR  
LORENZO VALDEZ  
RICHARD R. VANDERBEEK, JR.  
TIMOTHY C. WEIS  
DOUGLAS C. WERKING  
JAMES H. WHITNEY  
JEAN A. WILEY  
JAN(IE) D. YERIAN  
LAWRENCE E. YOUNG

4000 TOWN CENTER, SUITE 500, SOUTHFIELD, MICHIGAN 48075 • TELEPHONE (248) 353-1120 • FAX (248) 353-1106

January 2, 2001

Mr. Joseph R. Baczek  
Chairman and CEO  
Frank's Nursery & Crafts  
1175 West Long Lake Road  
Troy, MI 48098

Re: Frank's Nursery & Crafts

Dear Mr. Baczek:

This letter outlines the understanding between Jay Alix & Associates, a Michigan corporation ("JA&A") and Frank's Nursery & Crafts (the "Company") of the objective, tasks, work product and fees for the engagement of JA&A to provide financial consulting services to the Company.

## OBJECTIVE

Our principal objective is to complete a "situation analysis" and obtain a better understanding of the Company's current financial condition and its near-term projected cash flow, liquidity, operating results, and restructuring strategies in order to advise on alternative courses of action.

## TASKS

- Meetings/interviews with various members of management
- Observation of certain stores
- Review of historical financial information: financial statements, budget to actual comparisons, etc.
- Review and analysis of income and cash flow projections on a weekly basis near term and monthly for the next year
- Assistance in communicating with the Lending Group and possibly others
- Review and assessment of alternatives for restructuring
- Provide management with recommendations to aid in the restructuring

Mr. Joseph R. Baczko  
January 2, 2001  
Page 2

- Assistance regarding "sale" transactions

**WORK PRODUCT**

Our work product will be in the form of:

- Information to be discussed with you and others, as you may direct.
- Written reports and analysis worksheets to support our suggestions as we deem necessary or as you may request.

**STAFFING**

Robert J. Rock will be the principal responsible for the overall engagement. He will be assisted by a staff of consultants at various levels, all of whom have a wide range of skills and abilities related to this type of assignment. In addition, we have relationships with and periodically retain independent contractors with specialized skills and abilities to assist us.

**TIMING, FEES AND EXPENSES**

We will commence this engagement immediately upon receipt of a signed engagement letter and retainer.

This engagement will be staffed with professionals at various levels as the tasks require. For purposes of semi-monthly billings, our fees will be based on the hours charged at our hourly rates which are:

Principal (R. Rock)	\$480
Senior Associates	\$330
Associates	\$260
Accountants and Consultants	\$180

Mr. Joseph R. Baczko  
January 2, 2001  
Page 3

In addition to the fees set forth above, the Company shall pay directly or reimburse JA&A upon receipt of periodic billings, for all reasonable out-of-pocket expenses incurred in connection with this assignment such as travel, lodging, postage, telephone and facsimile charges.

We will require a retainer of \$75,000 to be applied against the time charges and expenses specific to the engagement. We will submit semi-monthly invoices for services rendered and expenses incurred as described above, and we will offset such invoices against the retainer. Payment will be due upon receipt of the invoices to replenish the retainer to the agreed upon amount. Any unearned portion of the retainer will be returned to you at the termination of the engagement.

#### **RELATIONSHIP OF THE PARTIES**

The parties intend that an independent contractor relationship will be created by this agreement. JA&A is not to be considered an employee or agent of the Company and the employees of JA&A are not entitled to any of the benefits that the Company provides for the Company's employees.

The Company also agrees not to solicit, recruit or hire any employees or agents of JA&A for a period of two years subsequent to the completion and/or termination of this agreement.

#### **CONFIDENTIALITY**

JA&A agrees to keep confidential all information obtained from the Company. JA&A agrees that neither it nor its directors, officers, principals, employees, agents or attorneys will disclose to any other person or entity, or use for any purpose other than specified herein, any information pertaining to the Company or any affiliate thereof which is either non-public, confidential or proprietary in nature ("Information") which it obtains or is given access to during the performance of the services provided hereunder. JA&A, after receiving specific, written approval from the Company, may make reasonable disclosures of Information to third parties in connection with their performance of their obligations and assignments hereunder. In addition, JA&A will have the right to disclose to others in the normal course of business its involvement with the Company.

Mr. Joseph R. Baczko

January 2, 2001

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Information includes data, plans, reports, schedules, drawings, accounts, records, calculations, specifications, flow sheets, computer programs, source or object codes, results, models, or any work product relating to the business of the Company, its subsidiaries, distributors, affiliates, vendors, customers, employees, contractors and consultants.

The Company acknowledges that all advice (written or oral) given by JA&A to the Company in connection with JA&A's engagement is intended solely for the benefit and use of the Company (limited to its management) in considering the transactions to which it relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks and programs referred to herein or in discussions with the Company's lenders or debt holders, without JA&A's prior approval (which shall not be unreasonably withheld) except as required by law. This agreement will survive the termination of the engagement.

#### FRAMEWORK OF THE ENGAGEMENT

The Company acknowledges that it is hiring JA&A purely to assist and advise the Company in business planning and restructuring. JA&A's engagement shall not constitute an audit, review or compilation, or any other type of financial statement reporting or consulting engagement that is subject to the rules of the AICPA, the SSCS, or other such state and national professional bodies.

#### INDEMNIFICATION

In engagements of this nature, it is our practice to receive indemnification. Accordingly, in consideration of our agreement to act on your behalf in connection with this engagement, you agree to indemnify, hold harmless, and defend us (including our principals, employees and agents) from and against all claims, liabilities, losses, damages and reasonable expenses as they are incurred, including reasonable legal fees and disbursements of counsel, and the costs of our professional time (our professional time will be reimbursed at our rates in effect when such future time is required), relating to or arising out of the engagement, including any legal proceeding in which we may be required or agree to participate but in which we are not a party. We, our principals, employees and agents may, but are not required to, engage a single firm of separate counsel of our choice in

Mr. Joseph R. Baczko  
January 2, 2001  
Page 5

connection with any of the matters to which this indemnification agreement relates. This indemnification agreement does not apply to actions taken or omitted to be taken by us in bad faith.

#### TERMINATION AND SURVIVAL

The agreement may be terminated at any time by written notice by one party to the other, provided, however, that notwithstanding such termination JA&A will be entitled to any fees and expenses due under the provisions of the agreement. Such payment obligation shall inure to the benefit of any successor or assignee of JA&A.

The obligations of the parties under the Indemnification and Confidentiality sections of this agreement shall survive the termination of the agreement as well as the other sections of this agreement which expressly provide that they shall survive termination of this agreement.

#### GOVERNING LAW

This letter agreement is governed by and construed in accordance with the laws of the State of Michigan with respect to contracts made and to be performed entirely therein and without regard to choice of law or principles thereof.

If we have any dispute arising between us, including any dispute with respect to this agreement, its interpretation, performance or breach, and are unable to agree on a mutually satisfactory resolution within 30 days, either party may require the matter to be settled by binding arbitration. If such arbitration shall occur, it shall be in New York City or the city of Detroit. We shall attempt for two weeks to agree on a single arbitrator. If that effort shall fail, each party shall appoint one arbitrator. The two arbitrators so chosen shall attempt for two weeks to select a third. If they are unable to agree, the American Arbitration Association in New York City shall choose the third. The arbitration shall occur using the rules and procedures of the American Arbitration Association. The decision of the arbitrator(s) shall be final, binding and non-appealable.

Mr. Joseph R. Baczko  
January 2, 2001  
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**DISCLOSURES**

We know of no fact or situation which would represent a conflict of interest for us with regard to the Company.

While we are not currently aware of any other relationships that connect us to any party in interest, because JA&A is a consulting firm that serves clients on a national basis in numerous cases, both in and out of court, it is possible that JA&A may have rendered services to or have business associations with other entities which had or have relationships with the Company, including creditors of the Company. JA&A has not and will not represent the interests of any of these aforementioned entities in this case, involving the Company.

**SEVERABILITY**

If any portion of the letter agreement shall be determined to be invalid or unenforceable, we each agree that the remainder shall be valid and enforceable to the maximum extent possible.

**ENTIRE AGREEMENT**

All of the above contains the entire understanding of the parties relating to the services to be rendered by JA&A and may not be amended or modified in any respect except in writing signed by the parties. JA&A will not be responsible for performing any services not specifically described in this letter or in a subsequent writing signed by the parties.

**NOTICES**

All notices required or permitted to be delivered under this letter agreement shall be sent, if to us, to the address set forth at the head of this letter, to the attention of Mr. Melvin R. Christiansen, and if to you, to the address for you set forth above, to the attention of your General Counsel, or to such other name or address as may be given in writing to the other party. All notices under the agreement shall be sufficient if delivered by facsimile or overnight mail. Any notice shall be deemed to be given only upon actual receipt.

JAY ALIX &  
ASSOCIATES

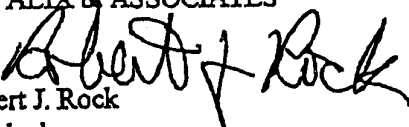
Mr. Joseph R. Baczko  
January 2, 2001  
Page 7

If these terms meet with your approval, please sign and return the enclosed copy of this proposal and wire transfer the amount to establish the retainer.

We look forward to working with you.

Sincerely yours,

JAY ALIX & ASSOCIATES

  
Robert J. Rock  
Principal

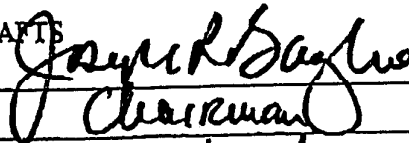
Acknowledged and Agreed to:

FRANK'S NURSERY & CRAFTS

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

  
Chairman

01/02/01



# **Exhibit 2**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF MARYLAND  
(Baltimore Division)**

In re:

**FRANK'S NURSERY & CRAFTS, INC., et  
al.,**

**Debtors.**

Case Nos. 01-  
(Chapter 11)  
(Jointly Administered)

\* \* \* \* \*

**VERIFIED STATEMENT OF ROBERT J. ROCK  
IN SUPPORT OF DEBTORS' APPLICATION TO EMPLOY  
JAY ALIX & ASSOCIATES AS FINANCIAL CONSULTANTS**

Robert J. Rock and Jay Alix & Associates, as the proposed financial consultants of Frank's Nursery & Crafts, Inc., *et al.*, the debtors and debtors in possession herein, pursuant to 2014(a), respectfully represent:

1. I am a principal with Jay Alix & Associates ("JA&A"), a Michigan corporation, which has offices at 4000 Town Center, Suite 500, Southfield, Michigan 48075. I have personal knowledge of the following facts and if called upon as a witness to testify thereto, I could and would competently do so.

2. Prior to the commencement of these cases, on January 2, 2001, the debtors and debtors in possession herein (collectively, the "Debtors") engaged Jay Alix & Associates ("JA&A") to assist in evaluating their business plan and restructuring efforts. In connection with this engagement, JA&A is in possession of a retainer in the approximate amount of \$120,000 as of the Petition Date.

3. I submit this affidavit in connection with the Debtors' Application to Employ Jay Alix & Associates as Financial Consultants (the "Application") to the Debtors. In such capacity,

JA&A would perform services as set forth in the Application and in the retention letter dated January 2, 2001 (the "Retention Letter").

4. To the best of my knowledge and belief, insofar as I have been able to ascertain after due inquiry, and except as disclosed herein, neither JA&A nor any of its principals or employees, has any connection with any of the debtors or their creditors, the Office of the United States Trustee, any person employed with the Office of the United States trustee, any other party-in-interest in these chapter 11 cases, or any of their respective attorneys. If such an adverse interest or connection should arise and become known to JA&A in the future, JA&A will file the appropriate disclosure with the Court.

5. JA&A's research did not reveal any fact or situation which would represent a conflict of interest for JA&A with regard to the Debtors. We do wish, however, to disclose the following:

- a. Jay Alix, a principal of JA&A, is also the Managing Principal of Questor Partners Fund, L.P. ("QPF"), a \$300 million fund, and Questor Partners Fund II, L.P. ("QPF II"), an \$840 million fund, both investing in special situations and underperforming companies;
- b. All of the principals of JA&A, including Jay Alix, own general and/or limited partnership interests in one or more of the following: QPF, QPF II, Questor Side-by-Side Partners, L.P., Questor Side-by-Side Partners II, L.P., and Questor Side-by-Side Partners II 3(c)(1), L.P., all related entities;
- c. Chase Bank, a creditor of the Debtors, is a limited partner of QPF and/or QPF II; and
- d. IBJ Whitehall and Transamerica are former clients of JA&A.

6. Despite the efforts to identify and disclose JA&A's connections with parties-in-interest in these cases, because the Debtors are a multi-state enterprise with thousands of creditors and other relationships, JA&A is unable to state with certainty that every client

representation or other connection has been disclosed. In this regard, if JA&A discovers additional information that requires disclosure, JA&A will file a supplemental disclosure with the Court as promptly as possible.

7. There is no agreement or understanding between JA&A and any other person or entity for sharing compensation received or to be received for services rendered by JA&A in connection with these chapter 11 cases.

8. The members and employees of JA&A designated to provide services on behalf of the Debtors in this engagement, together with their hourly rates, are as follows:

<u>JA&amp;A Employee</u>	<u>Hourly Rate</u>
Robert J. Rock, Principal	\$480
Senior Associates (including G. Schreur)	\$330
Associates	\$260
Accountants and Consultants	\$180

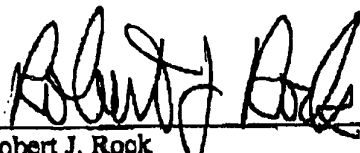
9. Other JA&A employees may be supplied as consultants to the Debtors on an as-needed basis.

10. The hourly rates set forth above are subject to periodic adjustments based on then-existing market conditions and other factors.

I, ROBERT J. ROCK, declare under penalty of perjury that the foregoing is true and correct.

Dated: February 18, 2001

JAY ALIX & ASSOCIATES

By:   
Robert J. Rock

1331856